

**CITY OF SPIRIT LAKE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2020**

# CITY OF SPIRIT LAKE

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CITY OF SPIRIT LAKE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Bruce Keenan	Mayor	December 31, 2021
Jerry Harbst	Council Member	December 31, 2023
Kevin Bice	Council Member	December 31, 2023
Donna Fisher (to December 31, 2019)	Council Member	
Keith Brockmeyer (from January 1, 2020)	Council Member	December 31, 2023
Rodney James	Council Member	December 31, 2021
Wes Farmer	Council Member	December 31, 2021
Gregg Owens	Clerk/Administrator	December 31, 2021
Gregg Owens	Attorney	December 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Spirit Lake  
Spirit Lake, IA 51360

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake as of June 30, 2020 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Spirit Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis on pages 5 through 11 and the information on Schedules 4 through 6, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020 on our consideration of the City of Spirit Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spirit Lake's internal control over financial reporting and compliance.

Winter, Stave & Co. LLP

November 12, 2020  
Spencer, Iowa

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Spirit Lake provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2020 Financial Highlights**

- The City's total cash basis net position increased 13.66% or approximately \$1,279,500 from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased by approximately \$1,111,300 and the cash basis net position of the business type activities increased by approximately 168,200.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the nonmajor governmental funds, information on the City's debt and shows the receipts and disbursements of the governmental funds for the last ten years.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting The City as a Whole**

### Cash Basis Statement of Activities and Net Position

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and the solid waste department. These activities are financed primarily by user charges.

## **Reporting the City's most Significant Funds**

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes. The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing and Road Use Tax, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and solid waste funds, considered to be major funds of the City. The Internal Service Funds are used to account for the City's self-insurance and to account for reserves accumulated to fund future equipment purchases.



The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund statements follow the fund financial statements.

### Government-Wide Financial Analysis

The City's cash balance for governmental activities increased by \$1,111,318 for the year ended June 30, 2020. The following analysis focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position For the Year Ended June 30,			
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services .....	\$ 84,247	\$ 119,061	\$ (34,814)
Operating grants, contributions, and restricted interest .....	781,314	778,722	2,592
Capital grants, contributions, and restricted interest .....	44,145		44,145
General receipts:			
Property and other city taxes .....	3,294,016	3,121,413	172,603
Tax increment financing .....	2,251,766	2,596,108	(344,342)
Local option sales tax .....	1,158,851	1,138,952	19,899
Unrestricted investment earnings .....	58,527	49,361	9,166
Unrestricted miscellaneous .....	<u>21,593</u>	<u>130,114</u>	<u>(108,521)</u>
Total receipts .....	<u>7,694,459</u>	<u>7,933,731</u>	<u>(239,272)</u>
Disbursements:			
Public safety .....	1,429,670	1,367,274	62,396
Public works .....	928,441	1,232,183	(303,742)
Health and social services .....	34,750	39,925	(5,175)
Culture and recreation .....	1,010,009	639,429	370,580
Community and economic development .....	120,669	295,370	(174,701)
General government .....	310,962	350,739	(39,777)
Debt service .....	3,220,205	3,348,820	(128,615)
Capital projects .....	<u>116,906</u>	<u>152,582</u>	<u>(35,676)</u>
Total disbursements .....	<u>7,171,612</u>	<u>7,426,322</u>	<u>(254,710)</u>
Change in cash basis net position before transfers .....	522,847	507,409	15,438
Net transfers .....	<u>588,471</u>	<u>605,286</u>	<u>(16,815)</u>
Change in cash basis net position .....	1,111,318	1,112,695	(1,377)
Cash basis net position - beginning of year .....	<u>5,993,928</u>	<u>4,881,233</u>	<u>1,112,695</u>
Cash basis net position - end of year .....	<u>\$7,105,246</u>	<u>\$5,993,928</u>	<u>\$1,111,318</u>

Public works disbursements decreased due to reduced purchases of capital assets and repairs.  
Culture and recreation disbursements increased due to additional capital outlays.

The City's cash balance for business type activities increased by \$168,215 for the year ended June 30, 2020. The following analysis focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position For the Year Ended June 30,			
	2020	2019	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Water .....	\$2,215,796	\$2,125,220	\$ 90,576
Sewer .....	327,750	320,643	7,107
Solid waste .....	1,041,791	983,715	58,076
Operating grants, contributions and restricted interest	16,240	14,127	2,113
General receipts:			
Unrestricted investment earnings .....	36,415	34,909	1,506
Bond and note proceeds .....	41,306		41,306
Total receipts	<u>3,679,298</u>	<u>3,478,614</u>	<u>200,684</u>
Disbursements:			
Water .....	1,845,673	1,795,865	49,808
Sewer .....	132,286	268,501	(136,215)
Solid waste .....	944,653	1,028,877	(84,224)
Total disbursements	<u>2,922,612</u>	<u>3,093,243</u>	<u>(170,631)</u>
Change in cash basis net position before transfers	756,686	385,371	371,315
Net transfers .....	<u>(588,471)</u>	<u>(605,286)</u>	<u>16,815</u>
Change in cash basis net position	168,215	(219,915)	388,130
Cash basis net position - beginning of year .....	<u>3,372,999</u>	<u>3,592,914</u>	<u>(219,915)</u>
Cash basis net position - end of year	<u>\$3,541,214</u>	<u>\$3,372,999</u>	<u>\$ 168,215</u>

Bond and note proceeds increased since the City issued new debt this year. Sewer and solid waste disbursements decreased due to less disbursements for capital assets.

### Individual Major Governmental Fund Analysis

Changes in Cash Balances - Governmental Funds For the Year Ended June 30,		
	2020 All Funds	2019 All Funds
Receipts .....	\$7,691,527	\$7,930,940
Disbursements .....	<u>7,177,427</u>	<u>7,426,470</u>
Net	514,100	504,470
Other financing sources .....	<u>588,471</u>	<u>570,286</u>
Increase in cash balances	1,102,571	1,074,756
Cash balances - beginning of year .....	<u>5,755,235</u>	<u>4,680,479</u>
Cash balances - end of year	<u>\$6,857,806</u>	<u>\$5,755,235</u>

## Individual Major Governmental Fund Analysis - Continued

The governmental funds reported a combined cash balance of \$6,857,806 which was an increase of \$1,102,571 from the June 30, 2019 balance. The general fund showed an increase of \$773,151 and the road use tax fund showed an increase of \$220,878. The other governmental funds showed modest increases or decreases in cash balances.

## Individual Major Business Type Fund Analysis

### Changes in Cash Balances - Proprietary Funds For the Year Ended June 30,

	2020 Enterprise Funds	2019	2020 Internal Service Funds	2019
Operating receipts .....	\$3,595,492	\$3,434,212	\$ 44,627	\$ 44,284
Operating disbursements .....	<u>2,443,004</u>	<u>2,361,973</u>	<u>33,674</u>	<u>40,494</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	1,152,488	1,072,239	10,953	3,790
Non-operating receipts (disbursements)	(406,521)	(695,074)	8,513	7,355
Net transfers .....	<u>(588,471)</u>	<u>(510,092)</u>		<u>(60,194)</u>
Decrease in cash balances	157,496	(132,927)	19,466	(49,049)
Cash balances - beginning of year .....	<u>2,919,172</u>	<u>3,052,099</u>	<u>692,520</u>	<u>741,569</u>
Cash balances - end of year	<u>\$3,076,668</u>	<u>\$2,919,172</u>	<u>\$ 711,986</u>	<u>\$ 692,520</u>

The enterprise funds reported a cash balance of \$3,076,668 which was an increase of \$157,496 from the balances at June 30, 2019. The water fund showed a modest decrease in cash balances and the sewer and solid waste funds showed modest increases in cash balances.

The internal service funds showed an increase in cash balances of \$19,466 to \$711,986.

## Budgetary Highlights

During the year, the City amended the budget once. The amendment was approved on May 26, 2020. This amendment was needed to budget for additional culture and recreation and capital projects disbursements. Total disbursements for the year did not exceed the final budgeted amounts.

## Debt Administration

At June 30, 2020, the City had \$18,881,000 of outstanding bonds and notes, compared to \$21,889,038 last year as detailed below:

	Outstanding Debt at Year-End	
	June 30, 2020	2019
General obligation bonds and notes .....	\$16,230,000	\$18,960,000
Water revenue capital loan notes .....	<u>2,651,000</u>	<u>2,929,038</u>
Total	<u>\$18,881,000</u>	<u>\$21,889,038</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. A computation of the City's available debt capacity is as follows;

Constitutional debt limit .....	\$30,942,000
General obligation bonds and notes .....	<u>16,230,000</u>
Available debt capacity	<u>\$14,712,000</u>
Percentage of debt limit available	<u>47.55%</u>

## Economic Factors Bearing on the City's Future

General economic conditions continue to be very favorable within the City of Spirit Lake and surrounding areas, with a positive effect on the City's financial condition.

The City increased its General Fund ending cash balance in fiscal year 2020 by 20% to \$4,625,378. The General Fund ending balances represent 137% of disbursements plus net transfers out. In fiscal year 2020, the City budgeted to use General Fund balances to avoid debt and place funds in capital reserves.

The City continues to be in a position with its fiscal planning the last few years to see real gains in the ability to reduce debt levels. Refunding has allowed the City to take advantage of lower interest rates and restructure most of that remaining debt. Net long-term general obligation debt was reduced by \$2,730,000 in fiscal year 2020.

The City continues to experience increases in taxable valuation, which increases debt capacity and allows property tax receipts to increase with the tax levy rate held steady at \$10.54 per thousand taxable valuation. This tax rate was approved for fiscal year 2020 for the twelfth straight year. City Administration believes that the current levy rate will continue through fiscal year 2021 and the City will be able to maintain current services without affecting its financial condition. There is additional capacity for the City to raise property tax rates, but no present need or plans to do so.

Infrastructure improvements to the City's street and utility systems were made in fiscal year 2020 and planned to continue into fiscal year 2021 to enhance and maintain services for residents.

Economic activity is very strong. New single-family home and commercial construction activity has increased and employment is at or near full employment. Multi-family housing construction has increased significantly, including two new multi-residential housing developments for which construction began in early fiscal year 2020. There has also been a continuing and significant increase in new commercial construction. Tourism, a major factor in the area economy, continues to be strong.

A number of additional businesses in downtown Spirit Lake participated in the City's façade improvement program and the downtown continues to improve and occupancy is high. The City continues to experience unprecedented growth.

The City's workforce has remained steady and no major events have occurred to disrupt regular operations. One of the City's major employers, Polaris Industries, Inc. which operates the Indian Motorcycle manufacturing plant in Spirit Lake, is relocating 33 new jobs from a plant it is closing in South Dakota to the Spirit Lake plant in 2020.

Equipment and vehicle replacement occurs on schedule with current funding. The City has increased its liability insurance coverage but has seen the benefits of very low increases in rates and is accumulating cash in various funds to pay costs of future equipment acquisitions and building improvements. Water and sewer rate increases were approved previously for fiscal year 2018, 2019, and 2020 and no changes to those rates were made.

The City of Spirit Lake is in good financial condition and the outlook continues to be positive.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Hall, 1803 Hill Avenue, Spirit Lake, Iowa 51360.

## **BASIC FINANCIAL STATEMENTS**

CITY OF SPIRIT LAKE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

			Program Receipts	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety .....	\$ 1,429,670	\$ 74,154	\$ 47,397	\$ -
Public works .....	928,441	-	622,383	44,145
Health and social services .....	34,750	-	-	-
Culture and recreation .....	1,010,009	4,230	61,771	-
Community and economic development .....	120,669	-	49,504	-
General government .....	310,962	5,863	-	-
Debt service .....	3,220,205	-	259	-
Capital projects .....	116,906	-	-	-
Total governmental activities	<u>7,171,612</u>	<u>84,247</u>	<u>781,314</u>	<u>44,145</u>
Business type activities:				
Water .....	1,845,673	2,215,796	11,599	-
Sewer .....	132,286	327,750	6	-
Solid waste .....	944,653	1,041,791	4,635	-
Total business type activities	<u>2,922,612</u>	<u>3,585,337</u>	<u>16,240</u>	<u>-</u>
TOTAL	<u>\$ 10,094,224</u>	<u>\$ 3,669,584</u>	<u>\$ 797,554</u>	<u>\$ 44,145</u>

**General Receipts:**

Property and other city taxes levied for:	
General purposes .....	
Debt Service .....	
Commercial and industrial replacement .....	
Tax increment financing .....	
Local option sales tax .....	
Unrestricted investment earnings .....	
Unrestricted miscellaneous .....	
Bond and note proceeds- net.....	
Operating transfers .....	
Total general receipts and transfers	

**CHANGE IN CASH BASIS NET POSITION**

**CASH BASIS NET POSITION -**

**BEGINNING OF YEAR .....**

**CASH BASIS NET POSITION - END OF YEAR**

**CASH BASIS NET POSITION:**

Restricted, expendable for:	
Urban renewal purposes .....	
Debt Service .....	
Capital projects .....	
Streets .....	
Other purposes .....	
Unrestricted .....	

**TOTAL CASH BASIS NET POSITION**

Net (Disbursements) Receipts and Changes in  
Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
\$ (1,308,119)	\$ -	\$ (1,308,119)
(261,913)	-	(261,913)
(34,750)	-	(34,750)
(944,008)	-	(944,008)
(71,165)	-	(71,165)
(305,099)	-	(305,099)
(3,219,946)	-	(3,219,946)
(116,906)	-	(116,906)
<u>(6,261,906)</u>	<u>-</u>	<u>(6,261,906)</u>
-	381,722	381,722
-	195,470	195,470
-	<u>101,773</u>	<u>101,773</u>
-	<u>678,965</u>	<u>678,965</u>
<u>(6,261,906)</u>	<u>678,965</u>	<u>(5,582,941)</u>
3,065,049	-	3,065,049
86,682	-	86,682
142,285	-	142,285
2,251,766	-	2,251,766
1,158,851	-	1,158,851
58,527	36,415	94,942
21,593	-	21,593
-	41,306	41,306
<u>588,471</u>	<u>(588,471)</u>	<u>-</u>
<u>7,373,224</u>	<u>(510,750)</u>	<u>6,862,474</u>
1,111,318	168,215	1,279,533
<u>5,993,928</u>	<u>3,372,999</u>	<u>9,366,927</u>
<u>\$ 7,105,246</u>	<u>\$ 3,541,214</u>	<u>\$ 10,646,460</u>
\$ 490,232	\$ -	\$ 490,232
399	274,343	274,742
747,971	-	747,971
571,595	-	571,595
422,231	29,910	452,141
<u>4,872,818</u>	<u>3,236,961</u>	<u>8,109,779</u>
<u>\$ 7,105,246</u>	<u>\$ 3,541,214</u>	<u>\$ 10,646,460</u>

See Notes to Financial Statements



CITY OF SPIRIT LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	Tax Increment <u>Financing</u>	Road Use <u>Tax</u>
RECEIPTS:			
Property tax .....	\$ 2,336,138	\$ -	\$ -
Tax increment financing .....	-	2,251,767	-
Other city taxes .....	1,364,361	-	-
Licenses and permits .....	41,636	-	-
Use of money and property .....	39,351	9,545	-
Intergovernmental .....	246,874	6,766	622,383
Charges for service .....	18,881	-	-
Miscellaneous .....	93,864	-	-
TOTAL RECEIPTS	<u>4,141,105</u>	<u>2,268,078</u>	<u>622,383</u>
DISBURSEMENTS:			
Public safety .....	1,169,180	-	-
Public works .....	439,576	-	401,505
Health and social services .....	34,750	-	-
Culture and recreation .....	891,966	-	-
Community and economic development .....	112,029	8,640	-
General government .....	267,105	-	-
Debt service .....	-	-	-
Capital projects .....	-	-	-
TOTAL DISBURSEMENTS	<u>2,914,606</u>	<u>8,640</u>	<u>401,505</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,226,499</u>	<u>2,259,438</u>	<u>220,878</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in .....	56,983	-	-
Operating transfers out .....	(510,331)	(2,284,970)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(453,348)</u>	<u>(2,284,970)</u>	<u>-</u>
NET CHANGE IN CASH BALANCES	773,151	(25,532)	220,878
CASH BALANCES - BEGINNING OF YEAR .....	<u>3,852,227</u>	<u>515,764</u>	<u>350,717</u>
CASH BALANCES - END OF YEAR	<u>\$ 4,625,378</u>	<u>\$ 490,232</u>	<u>\$ 571,595</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes .....	-	490,232	-
Debt service .....	-	-	-
Capital projects .....	-	-	-
Streets .....	-	-	571,595
Employee benefits .....	-	-	-
Police purposes .....	-	-	-
Library purposes .....	-	-	-
Committed for economic development .....	565,814	-	-
Assigned for park development .....	30,430	-	-
Assigned for building maintenance .....	31,618	-	-
Assigned for social services .....	9,000	-	-
Unassigned .....	3,988,516	-	-
TOTAL CASH BASIS NET POSITION	<u>\$ 4,625,378</u>	<u>\$ 490,232</u>	<u>\$ 571,595</u>

See Notes to Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 85,311	\$ -	\$ 512,144	\$ 2,933,593
-	-	-	2,251,767
1,370	-	11,258	1,376,989
-	-	-	41,636
259	6,158	2,793	58,106
2,964	-	23,799	902,786
-	-	-	18,881
-	-	13,905	107,769
<u>89,904</u>	<u>6,158</u>	<u>563,899</u>	<u>7,691,527</u>
-	-	263,432	1,432,612
-	-	88,580	929,661
-	-	-	34,750
-	-	119,343	1,011,309
-	-	-	120,669
-	-	44,210	311,315
3,220,205	-	-	3,220,205
-	116,906	-	116,906
<u>3,220,205</u>	<u>116,906</u>	<u>515,565</u>	<u>7,177,427</u>
<u>(3,130,301)</u>	<u>(110,748)</u>	<u>48,334</u>	<u>514,100</u>
3,128,947	248,000	-	3,433,930
-	(50,158)	-	(2,845,459)
<u>3,128,947</u>	<u>197,842</u>	<u>-</u>	<u>588,471</u>
(1,354)	87,094	48,334	1,102,571
1,753	660,877	373,897	5,755,235
<u>\$ 399</u>	<u>\$ 747,971</u>	<u>\$ 422,231</u>	<u>\$ 6,857,806</u>
-	-	-	490,232
399	-	-	399
-	747,971	-	747,971
-	-	-	571,595
-	-	349,986	349,986
-	-	36,465	36,465
-	-	35,780	35,780
-	-	-	565,814
-	-	-	30,430
-	-	-	31,618
-	-	-	9,000
-	-	-	3,988,516
<u>\$ 399</u>	<u>\$ 747,971</u>	<u>\$ 422,231</u>	<u>\$ 6,857,806</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND  
 NET POSITION - GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B .....	\$6,857,806
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
 ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the cash balances of the internal service funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position. ....	<u>247,440</u>
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CASH BASIS NET POSITION OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	<u>\$7,105,246</u>
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NET CHANGE IN CASH BALANCES PER EXHIBIT B .....	\$1,102,571
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the change in the cash balances of the internal services funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position. ....	<u>8,747</u>
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CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	<u>\$1,111,318</u>
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CITY OF SPIRIT LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
OPERATING RECEIPTS:				
Charges for services .....	\$ 2,215,796	\$ 327,750	\$ 1,041,791	\$ 3,585,337
Charges to operating funds .....	-	-	-	-
Miscellaneous .....	5,548	-	4,607	10,155
TOTAL OPERATING RECEIPTS	2,221,344	327,750	1,046,398	3,595,492
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services .....	(1,378,733)	(127,324)	(936,947)	(2,443,004)
Insurance charges and claims .....	-	-	-	-
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	842,611	200,426	109,451	1,152,488
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments .....	13,866	6,635	10,194	30,695
Lease income .....	6,000	-	-	6,000
Note proceeds .....	41,306	-	-	41,306
Purchase of capital assets .....	(91,305)	(5,255)	(9,480)	(106,040)
Debt service payments:				
Revenue note principal .....	(319,344)	-	-	(319,344)
Revenue note interest .....	(58,638)	-	-	(58,638)
Legal and other bond costs .....	(500)	-	-	(500)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	(408,615)	1,380	714	(406,521)
EXCESS OF RECEIPTS OVER DISBURSEMENTS	433,996	201,806	110,165	745,967
OPERATING TRANSFERS IN .....	25,000	-	-	25,000
OPERATING TRANSFERS OUT .....	(550,167)	(63,304)	-	(613,471)
NET CHANGE IN CASH BALANCES	(91,171)	138,502	110,165	157,496
CASH BALANCES - BEGINNING OF YEAR	969,413	724,024	1,225,735	2,919,172
CASH BALANCES - END OF YEAR	\$ 878,242	\$ 862,526	\$ 1,335,900	\$ 3,076,668
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement .....	\$ 274,343	\$ -	\$ -	\$ 274,343
Water deposits .....	29,910	-	-	29,910
Unrestricted .....	573,989	862,526	1,335,900	2,772,415
TOTAL CASH BASIS FUND BALANCES	\$ 878,242	\$ 862,526	\$ 1,335,900	\$ 3,076,668

Internal Service Funds		
Self-Insurance	Equipment Revolving	Total
\$ -	\$ -	\$ -
44,400	-	44,400
227	-	227
<u>44,627</u>	<u>-</u>	<u>44,627</u>
-	-	-
<u>(33,674)</u>	<u>-</u>	<u>(33,674)</u>
10,953	-	10,953
959	7,554	8,513
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
959	7,554	8,513
11,912	7,554	19,466
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
11,912	7,554	19,466
112,279	580,241	692,520
<u>\$ 124,191</u>	<u>\$ 587,795</u>	<u>\$ 711,986</u>
\$ -	\$ -	\$ -
124,191	587,795	711,986
<u>\$ 124,191</u>	<u>\$ 587,795</u>	<u>\$ 711,986</u>

CITY OF SPIRIT LAKE  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... \$3,076,668

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the cash balances of the internal  
 service funds is included in business type activities in the Cash Basis Statement  
 of Activities and Net Position. .... 464,546

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$3,541,214

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .. \$ 157,496

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the change in cash balances  
 of the internal service funds is included in business type activities in the Cash  
 Basis Statement of Activities and Net Position. .... 10,719

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$ 168,215

CITY OF SPIRIT LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Spirit Lake, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spirit Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates the water, sewer, and solid waste utilities.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. It was determined that the City has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

Net position is reported in two categories:

*Expendable restricted net position* results when constraints placed on net use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*The General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

*The Debt Service Fund* is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

*Enterprise:*

*The Water Fund* is used to account for the operation and maintenance of the City's water system.

*The Sewer Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

*The Solid Waste Fund* is used to account for the operation and maintenance of the City's solid waste collection activities.

Additionally, the City reports the following proprietary funds:

*The Internal Service Funds* are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.



### **C. Measurement Focus and Basis of Accounting**

The City of Spirit Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

### **F. Subsequent Events**

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

## 2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2020 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2020:

Cash on hand .....	\$ 700
Demand deposits .....	2,825,220
Certificates of deposit/savings accounts .....	<u>7,820,540</u>
	<u>\$10,646,460</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## 3. DUE FROM SPIRIT LAKE DEVELOPMENT CORPORATION

The City has loaned the Spirit Lake Development Corporation \$325,000 to purchase land for future economic development. The loan is interest-free and is payable as the land is sold. The Development Corporation repaid \$80,000 during prior fiscal years. No payment was received in the current fiscal year.

## 4. BONDS AND NOTES PAYABLE

A summary of the changes in bonds/notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes .....	<u>\$18,960,000</u>	<u>\$ 0</u>	<u>\$2,730,000</u>	<u>\$16,230,000</u>	<u>\$2,950,000</u>
Business type activities:					
Water revenue notes .....	<u>\$ 2,929,038</u>	<u>\$ 41,306</u>	<u>\$ 319,344</u>	<u>\$ 2,651,000</u>	<u>\$ 329,000</u>

## General Obligation Bonds/Notes

A summary of the City's June 30, 2020 general obligation bonds/notes payable is as follows:

Year Ending June 30,	Issued 8-28-2012 Series 2012C			Issued 10-22-2013 Series 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.55%	\$ 175,000	\$ 22,500	2.15%	\$ 170,000	\$ 23,008
2022	1.75	125,000	19,788	2.35	175,000	19,352
2023	2.00	300,000	17,600	2.55	180,000	15,240
2024	2.00	150,000	11,600	2.75	180,000	10,650
2025	2.15	400,000	8,600	3.00	190,000	5,700
2026 - 2030						
2031 - 2035						
Total		<u>\$1,150,000</u>	<u>\$ 80,088</u>		<u>\$ 895,000</u>	<u>\$ 73,950</u>

  

Year Ending June 30,	Issued 4-7-2015 Series 2015			Issued 11-26-2014 Series 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.50%	\$ 345,000	\$ 33,875	2.25%	\$ 150,000	\$ 23,288
2022	2.50	340,000	25,250	2.50	150,000	19,912
2023	2.50	335,000	16,750	2.50	150,000	16,163
2024	2.50	335,000	8,375	2.50	150,000	12,412
2025				2.75	150,000	8,663
2026 - 2030				2.75	165,000	4,537
2031 - 2035						
Total		<u>\$1,355,000</u>	<u>\$ 84,250</u>		<u>\$ 915,000</u>	<u>\$ 84,975</u>

  

Year Ending June 30,	Issued 12-8-2015 Series 2015B			Issued 5-12-2016 Series 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021			\$ 50,175	2.00%	\$ 545,000	\$ 31,915
2022			50,175	2.00	560,000	21,015
2023			50,175	2.10	365,000	9,815
2024			50,175	2.15	100,000	2,150
2025	2.50%	\$ 65,000	50,175			
2026 - 2030	2.50-3.00	725,000	203,450			
2031 - 2035	3.00-3.50	<u>830,000</u>	<u>86,875</u>			
Total		<u>\$1,620,000</u>	<u>\$541,200</u>		<u>\$1,570,000</u>	<u>\$ 64,895</u>

Year Ending June 30,	Issued 6-7-2017 Series 2017			Subtotal of General Obligation Bond/Notes to be paid by Governmental Funds		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$1,100,000	\$159,000	\$ 2,485,000	\$ 343,761	\$ 2,828,761
2022	3.00	1,150,000	126,000	2,500,000	281,492	2,781,492
2023	3.00	1,170,000	91,500	2,500,000	217,243	2,717,243
2024	3.00	1,150,000	56,400	2,065,000	151,762	2,216,762
2025	3.00	700,000	21,900	1,505,000	95,038	1,600,038
2026 - 2030	3.00	30,000	900	920,000	208,887	1,128,887
2031 - 2035				830,000	86,875	916,875
Total		<u>\$5,300,000</u>	<u>\$455,700</u>	<u>\$12,805,000</u>	<u>\$1,385,058</u>	<u>\$14,190,058</u>

Year Ending June 30,	Issued 5-22-2012 Series 2012			Issued 4-7-2015 Series 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.70%	\$ 360,000	\$ 67,720	2.50%	\$ 35,000	\$ 6,250
2022	2.00	360,000	61,600	2.50	40,000	5,375
2023	2.10	620,000	54,400	2.50	40,000	4,375
2024	2.20	375,000	41,380	2.50	35,000	3,375
2025	2.35	380,000	33,130	2.50	30,000	2,500
2026 - 2030	2.50-2.70	935,000	46,200	2.50	70,000	2,625
2031 - 2035						
Total		<u>\$3,030,000</u>	<u>\$304,430</u>		<u>\$ 250,000</u>	<u>\$ 24,500</u>

Year Ending June 30,	Issued 5-12-2016 Series 2016			Subtotal of General Obligation Bond/Notes to be paid by Enterprise Funds		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	2.00%	\$ 70,000	\$ 2,900	\$ 465,000	\$ 76,870	\$ 541,870
2022	2.00	75,000	1,500	475,000	68,475	543,475
2023				660,000	58,775	718,775
2024				410,000	44,755	454,755
2025				410,000	35,630	445,630
2026 - 2030				1,005,000	48,825	1,053,825
2031 - 2035						
Total		<u>\$ 145,000</u>	<u>\$ 4,400</u>	<u>\$ 3,425,000</u>	<u>\$ 333,330</u>	<u>\$ 3,758,330</u>

Year Ending June 30,	General Obligation Total		
	Principal	Interest	Total
2021	\$ 2,950,000	\$ 420,631	\$ 3,370,631
2022	2,975,000	349,967	3,324,967
2023	3,160,000	276,018	3,436,018
2024	2,475,000	196,517	2,671,517
2025	1,915,000	130,668	2,045,668
2026 - 2030	1,925,000	257,712	2,182,712
2031 - 2035	<u>830,000</u>	<u>86,875</u>	<u>916,875</u>
Total	<u>\$16,230,000</u>	<u>\$1,718,388</u>	<u>\$17,948,388</u>

All general obligation bonds/notes will be serviced by the Debt Service Fund. A majority of the general obligation bonds are anticipated to be repaid from tax increment financing revenues, local option sales tax funds, and general fund receipts. In addition, the general obligation bonds anticipated to be repaid by enterprise funds were issued to pay for water and sewer projects. In compliance with statutory requirements, any payments from other funds are recorded as transfers to the Debt Service Fund in the City's accounting records.

On August 28, 2012, the City issued \$1,150,000 of general obligation bonds with interest rates ranging from 1.55% to 2.15% per annum. The bonds were issued for street reconstruction and park renovation. During the year ended June 30, 2020, the City paid \$-0- of principal and \$22,500 of interest on the bonds.

On October 22, 2013, the City issued \$1,735,000 of general obligation bonds with interest rates ranging from 0.70% to 3.00% per annum. The bonds were issued for the new City Hall and industrial park projects. During the year ended June 30, 2020, the City paid \$160,000 of principal and \$26,208 of interest on the bonds.

On April 7, 2015, the City issued \$2,733,978 of general obligation bonds with interest rates ranging from 1.50% to 2.5% per annum. The bonds were issued to refinance old bond issues and for street reconstruction. During the year ended June 30, 2020, the City paid \$315,000 of principal and \$41,750 of interest on the bonds.

On November 26, 2014, the City issued \$1,515,000 of general obligation bonds with interest rates ranging from 1.50% to 2.75% per annum. The bonds were issued to refinance old bond issues and for street reconstruction. During the year ended June 30, 2020, the City paid \$150,000 of principal and \$26,288 of interest on the bonds.

On December 8, 2015, the City issued \$1,620,000 of general obligation bonds with interest rates ranging from 2.50% to 3.50% per annum. The bonds were issued to fund a capital project. During the year ended June 30, 2020, the City paid \$-0- of principal and \$50,175 of interest on the bonds.

On May 12, 2016, the City issued \$3,985,000 of general obligation bonds with interest rates ranging from 1.50% to 2.15% per annum. The bonds were issued to refinance several bond issues. During the year ended June 30, 2020, the City paid \$525,000 of principal and \$42,415 of interest on the bonds.

On June 7, 2017, the City issued \$8,735,000 of general obligation bonds with interest rates of 3.00% per annum. The bonds were issued to refinance old bond issues. During the year ended June 30, 2020, the City paid \$1,100,000 of principal and \$192,000 of interest on the bonds.

On May 22, 2012, the City issued \$6,300,000 of general obligation bonds with interest rates ranging from 0.30% to 2.70% per annum. The bonds were issued to refund two old bond issues. During the year ended June 30, 2020, the City paid \$360,000 of principal and \$73,120 of interest on the bonds.

On April 7, 2015, the City issued \$436,022 of general obligation bonds with interest rates ranging from 1.50% to of 2.50% per annum. The bonds were issued to refinance old bond issues. During the year ended June 30, 2020, the City paid \$40,000 of principal and \$7,250 of interest on the bonds.

On May 12, 2016, the City issued \$435,000 of general obligation bonds with interest rates ranging from 1.50% to 2.00% per annum. The bonds were issued to refinance a bond issue. During the year ended June 30, 2020, the City paid \$80,000 of principal and \$4,500 of interest on the bonds.

### Revenue Notes

The City's June 30, 2020 water capital loan notes payable are as follows:

Year Ending June 30,	Water Revenue Note Issued 5-22-2012 Series 2012			Water Revenue Note Issued 3-10-2017 Series 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.95%	\$ 230,000	\$ 14,700	2.00%	\$ 99,000	\$ 38,920
2022	2.10	235,000	10,215	2.00	101,000	36,940
2023	2.20	240,000	5,280	2.00	103,000	34,920
2024				2.00	104,000	32,860
2025				2.00	106,000	30,780
2026 - 2030				2.00	560,000	121,300
2031 - 2035				2.00	611,000	63,280
2036 - 2037				2.00	262,000	7,880
Total		<u>\$ 705,000</u>	<u>\$ 30,195</u>		<u>\$1,946,000</u>	<u>\$366,880</u>

Year Ending June 30,	Revenue Notes Total		
	Principal	Interest	Total
2021	\$ 329,000	\$ 53,620	\$ 382,620
2022	336,000	47,155	383,155
2023	343,000	40,200	383,200
2024	104,000	32,860	136,860
2025	106,000	30,780	136,780
2026 - 2030	560,000	121,300	681,300
2031 - 2035	611,000	63,280	674,280
2036 - 2037	262,000	7,880	269,880
Total	<u>\$2,651,000</u>	<u>\$397,075</u>	<u>\$3,048,075</u>

The City has pledged future water customer revenues, net of specific operating expenses, to repay the \$2,675,000 water revenue refunding capital loan notes issued in May 2012 and the \$2,226,344 water revenue capital loan notes issued in March 2017. The notes are payable solely from water customer net revenues and are expected to be payable through 2037. Annual principal and interest payments are expected to require less than 45% of net revenues. As of June 30, 2020, total principal and interest remaining to be paid on the notes are \$3,048,075. For the current year, principal and interest paid and total customer net revenues were \$377,982 and \$842,611, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking fund for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve fund until a specific minimum balance has been accumulated. This fund is restricted for the purposes of paying principal and interest payments when insufficient money is available in the sinking fund. The City has fully funded this reserve.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% (for the 2012 notes) and 110% (for the 2017 notes) of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2020, the City was in compliance with the revenue note resolution.

## 5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue: Tax increment financing	\$ 6,825	Legal fees
	Capital Projects	<u>50,158</u>	Close project
		<u>56,983</u>	
Debt Service:	General	285,331	Debt payments
	Special Revenue: Tax increment financing	2,278,145	Debt payments
	Proprietary: Enterprise: Water	518,167	Debt payments
	Sewer	<u>47,304</u>	Debt payments
		<u>3,128,947</u>	
Capital Projects	General	200,000	Fund projects
	Proprietary: Enterprise: Water	32,000	Fund projects
	Sewer	<u>16,000</u>	Fund projects
		<u>248,000</u>	
Proprietary: Enterprise: Water	General	<u>25,000</u>	Roof repairs
TOTAL OPERATING TRANSFERS		<u>\$3,458,930</u>	

## 6. PENSION AND RETIREMENT BENEFITS

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.



Protection occupation members may retire at normal retirement age, which is generally age 55, and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%. Protective occupation members contributed 6.61% of covered payroll, and the City contributed 9.91% of covered payroll for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$203,969.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,081,019 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0186683% which was a decrease of .001114% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$285,400, \$254,645, and \$318,842, respectively. There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	<u>3.0</u>	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the net pension liability	<u>\$2,370,501</u>	<u>\$1,081,019</u>	<u>\$ (22)</u>

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

## 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health plan which provides medical, dental, and prescription drug benefits for employees, retirees, and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$337,354 and plan members eligible for benefits contributed \$59,512 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments .....	0
Active employees .....	<u>38</u>
Total	<u>38</u>

## 8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2020 is as follows:

Governmental activities:	
General fund .....	<u>\$ 95,408</u>
Business type activities:	
Proprietary:	
Enterprise:	
Water .....	18,792
Solid waste .....	<u>6,090</u>
Total business type activities	<u>24,882</u>
TOTAL	<u>\$ 120,290</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

## 9. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development and senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2020 has not been determined.

## 10. COMMITMENTS AND CONTINGENCIES

The City has entered into a contract for a street reconstruction project. A summary of the project is as follows:

Contract total .....	\$1,091,807
Paid as of June 30, 2020 .....	<u>60,233</u>
Balance to be paid	<u>\$1,031,574</u>

At year-end, economic activity in the United States continued to experience significant disruption resulting from uncertainty caused by the world-wide coronavirus pandemic. City management is closely monitoring its operations, liquidity, and financial resources and is actively working to minimize the current and future impact of this unprecedented situation. Management has concluded that while it is reasonably possible there could be a material negative effect on the financial statements, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## 11. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the City entered into construction contracts totaling \$329,925 for lift station and sanitary sewer lining projects. The City also issued \$7,240,000 general obligation refunding capital loan notes in September 2020.

## 12. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$119,483.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **13. DEVELOPER AGREEMENTS**

The City has entered into various developer agreements related to improvements made in tax increment financing districts. The City has agreed to pay the developers an amount not to exceed \$1,945,000. The agreements require up to ten annual payments, provided the developers are in compliance with the terms of the agreements. During the year ended June 30, 2020, the City rebated \$15,466 of incremental property tax to the developers. The approximate remaining balance to be paid on the agreements totaled \$1,841,744 at June 30, 2020.

### **14. TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$15,466 of property tax under the urban renewal and economic development projects.

#### Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2020 under agreements entered into by other entities.

## **SUPPLEMENTARY INFORMATION**



CITY OF SPIRIT LAKE  
 COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Employee <u>Benefits</u>	Police <u>Forfeiture</u>	Friends of <u>the Library</u>	<u>Total</u>
RECEIPTS:				
Property tax .....	\$ 512,144	\$ -	\$ -	\$ 512,144
Other city taxes .....	11,258	-	-	11,258
Use of money and property .....	2,511	-	282	2,793
Intergovernmental .....	23,799	-	-	23,799
Miscellaneous .....	-	2,192	11,713	13,905
TOTAL RECEIPTS	<u>549,712</u>	<u>2,192</u>	<u>11,995</u>	<u>563,899</u>
DISBURSEMENTS:				
Public safety .....	261,931	1,501	-	263,432
Public works .....	88,580	-	-	88,580
Culture and recreation .....	105,937	-	13,406	119,343
General government .....	44,210	-	-	44,210
TOTAL DISBURSEMENTS	<u>500,658</u>	<u>1,501</u>	<u>13,406</u>	<u>515,565</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	49,054	691	(1,411)	48,334
CASH BALANCES - BEGINNING OF YEAR .....	<u>300,932</u>	<u>35,774</u>	<u>37,191</u>	<u>373,897</u>
CASH BALANCES - END OF YEAR	<u>\$ 349,986</u>	<u>\$ 36,465</u>	<u>\$ 35,780</u>	<u>\$ 422,231</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Employee benefits .....	\$ 349,986	\$ -	\$ -	\$ 349,986
Police purposes .....	-	36,465	-	36,465
Library purposes .....	-	-	35,780	35,780
TOTAL CASH BASIS FUND BALANCES	<u>\$ 349,986</u>	<u>\$ 36,465</u>	<u>\$ 35,780</u>	<u>\$ 422,231</u>

CITY OF SPIRIT LAKE  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2020

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>
GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS:			
General obligation urban renewal bonds, Series 2012C	08-28-2012	1.55 - 2.15%	\$1,150,000
General obligation capital loan notes, Series 2013	10-22-2013	2.15 - 3.00%	1,735,000
General obligation capital loan notes, Series 2015	04-07-2015	2.50%	2,733,978
General obligation urban renewal bonds, Series 2014	11-26-2014	2.25 - 2.75%	1,515,000
General obligation capital loans notes, Series 2015B	12-08-2015	2.50 - 3.50%	1,620,000
General obligation refunding capital loan notes, Series 2016	05-12-2016	2.00 - 2.15%	3,985,000
General obligation refunding capital loan notes, Series 2017	06-07-2017	3.00%	8,735,000
TOTAL GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS			
GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS:			
General obligation refunding capital loan notes, Series 2016	05-12-2016	2.00%	435,000
General obligation refunding capital loan notes, Series 2012	05-22-2012	1.70 - 2.70%	6,300,000
General obligation capital loan notes, Series 2015 (sewer)	04-07-2015	2.50%	436,022
TOTAL GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS			
TOTAL GENERAL OBLIGATION BONDS/NOTES			
REVENUE NOTES:			
Water revenue refunding capital loan notes, Series 2012	05-22-2012	1.95 - 2.20%	2,675,000
Water revenue capital loan notes, Series 2017	03-10-2017	2.00%*	2,226,344
TOTAL REVENUE NOTES			

\* Includes 0.25% service fee

## Schedule 2

<u>Final Due Date</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
06-01-2025	\$ 1,150,000			\$ 1,150,000	\$ 22,500
06-01-2025	1,055,000		\$ 160,000	895,000	26,208
06-01-2024	1,670,000		315,000	1,355,000	41,750
06-01-2026	1,065,000		150,000	915,000	26,288
06-01-2035	1,620,000			1,620,000	50,175
06-01-2024	2,095,000		525,000	1,570,000	42,415
06-01-2026	<u>6,400,000</u>	<u>          </u>	<u>1,100,000</u>	<u>5,300,000</u>	<u>192,000</u>
	<u>15,055,000</u>	<u>          </u>	<u>2,250,000</u>	<u>12,805,000</u>	<u>401,336</u>
06-01-2022	225,000		80,000	145,000	4,500
06-01-2028	3,390,000		360,000	3,030,000	73,120
06-01-2027	<u>290,000</u>	<u>          </u>	<u>40,000</u>	<u>250,000</u>	<u>7,250</u>
	<u>3,905,000</u>	<u>          </u>	<u>480,000</u>	<u>3,425,000</u>	<u>84,870</u>
	<u>\$18,960,000</u>	<u>          </u>	<u>\$2,730,000</u>	<u>\$16,230,000</u>	<u>\$486,206</u>
06-01-2023	\$ 930,000		\$ 225,000	\$ 705,000	\$ 18,525
06-01-2037	<u>1,999,038</u>	<u>\$ 41,306</u>	<u>94,344</u>	<u>1,946,000</u>	<u>40,113</u>
	<u>\$ 2,929,038</u>	<u>\$ 41,306</u>	<u>\$ 319,344</u>	<u>\$ 2,651,000</u>	<u>\$ 58,638</u>

**CITY OF SPIRIT LAKE**  
**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	<u>Cash Basis</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>RECEIPTS:</b>				
Property tax .....	\$ 2,933,593	\$ 2,756,024	\$ 2,414,032	\$ 2,272,971
Tax increment financing .....	2,251,767	2,596,108	2,834,112	2,641,486
Other city taxes .....	1,376,989	1,359,677	1,290,602	1,344,174
Licenses and permits .....	41,636	62,006	39,311	50,168
Use of money and property .....	58,106	50,801	26,566	13,578
Intergovernmental .....	902,786	872,592	879,012	891,063
Charges for services .....	18,881	25,042	14,756	14,756
Miscellaneous .....	<u>107,769</u>	<u>208,690</u>	<u>260,650</u>	<u>247,915</u>
<b>TOTAL RECEIPTS</b>	<u>\$ 7,691,527</u>	<u>\$ 7,930,940</u>	<u>\$ 7,759,041</u>	<u>\$ 7,476,111</u>
<b>DISBURSEMENTS:</b>				
Public safety .....	\$ 1,432,612	\$ 1,367,479	\$ 1,356,854	\$ 1,318,317
Public works .....	929,661	1,232,190	1,012,633	1,203,204
Health and social services .....	34,750	39,925	35,425	31,925
Culture and recreation .....	1,011,309	639,459	566,859	648,983
Community and economic development .....	120,669	295,370	257,823	266,996
General government .....	311,315	350,645	369,515	366,884
Debt service .....	3,220,205	3,348,820	3,505,472	12,747,851
Capital projects .....	<u>116,906</u>	<u>152,582</u>	<u>322,920</u>	<u>187,218</u>
<b>TOTAL DISBURSEMENTS</b>	<u>\$ 7,177,427</u>	<u>\$ 7,426,470</u>	<u>\$ 7,427,501</u>	<u>\$16,771,378</u>

Cash Basis					
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,166,305	\$ 2,202,054	\$2,133,101	\$ 2,109,569	\$ 1,999,309	\$ 1,950,264
2,446,244	2,313,443	2,340,694	2,262,343	2,464,146	2,415,385
1,206,558	1,254,330	1,095,831	1,129,072	1,086,892	965,362
47,590	35,243	49,843	47,290	30,701	27,898
11,285	7,069	9,477	9,544	12,804	22,757
1,127,243	2,745,068	725,394	550,838	601,562	527,835
33,145	31,684	27,457	28,695	18,160	22,325
<u>166,760</u>	<u>99,411</u>	<u>646,912</u>	<u>335,423</u>	<u>133,612</u>	<u>209,964</u>
<u>\$ 7,205,130</u>	<u>\$ 8,688,302</u>	<u>\$7,028,709</u>	<u>\$ 6,472,774</u>	<u>\$ 6,347,186</u>	<u>\$ 6,141,790</u>
\$ 1,202,134	\$ 1,169,593	\$1,128,910	\$ 1,100,254	\$ 1,108,913	\$ 1,014,802
991,885	908,359	946,036	703,038	977,962	866,225
36,175	33,725	33,725	35,525	31,916	31,666
638,877	632,133	622,094	625,480	573,516	512,734
239,247	717,713	283,235	225,725	526,226	110,250
395,660	379,223	392,608	379,134	369,424	356,029
7,815,701	6,498,858	2,690,267	16,488,386	9,337,774	9,556,100
<u>1,852,470</u>	<u>3,951,168</u>	<u>2,088,512</u>	<u>2,374,083</u>	<u>928,559</u>	<u>626,106</u>
<u>\$13,172,149</u>	<u>\$14,290,772</u>	<u>\$8,185,387</u>	<u>\$21,931,625</u>	<u>\$13,854,290</u>	<u>\$13,073,912</u>

## OTHER INFORMATION

CITY OF SPIRIT LAKE  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes .....	\$2,933,593		\$ 2,933,593
Other city taxes .....	1,376,989		1,376,989
Tax increment financing revenues .....	2,251,767		2,251,767
Licenses and permits .....	41,636		41,636
Use of money and property .....	58,106	\$ 45,208	103,314
Intergovernmental .....	902,786		902,786
Charges for services .....	18,881	3,629,737	3,648,618
Miscellaneous .....	<u>107,769</u>	<u>10,382</u>	<u>118,151</u>
TOTAL RECEIPTS	<u>7,691,527</u>	<u>3,685,327</u>	<u>11,376,854</u>
DISBURSEMENTS:			
Public safety .....	1,432,612		1,432,612
Public works .....	929,661		929,661
Health and social services .....	34,750		34,750
Culture and recreation .....	1,011,309		1,011,309
Community and economic development .....	120,669		120,669
General government .....	311,315		311,315
Debt service .....	3,220,205		3,220,205
Capital projects .....	116,906		116,906
Business type .....		2,961,200	2,961,200
TOTAL DISBURSEMENTS	<u>7,177,427</u>	<u>2,961,200</u>	<u>10,138,627</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>514,100</u>	<u>724,127</u>	<u>1,238,227</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in .....	3,433,930	25,000	3,458,930
Operating transfer out .....	(2,845,459)	(613,471)	(3,458,930)
Debt proceeds .....		41,306	41,306
TOTAL OTHER FINANCING SOURCES (USES)	<u>588,471</u>	<u>(547,165)</u>	<u>41,306</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	1,102,571	176,962	1,279,533
BALANCE - BEGINNING OF YEAR .....	<u>5,755,235</u>	<u>3,611,692</u>	<u>9,366,927</u>
BALANCE - END OF YEAR	<u>\$6,857,806</u>	<u>\$3,788,654</u>	<u>\$10,646,460</u>

## Schedule 4

<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
\$ 2,992,710	\$ 2,992,710	\$ (59,117)
1,190,598	1,190,598	186,391
2,303,393	2,303,393	(51,626)
45,500	39,500	2,136
34,250	69,000	34,314
819,344	863,489	39,297
3,631,600	3,571,100	77,518
<u>160,850</u>	<u>160,850</u>	<u>(42,699)</u>
<u>11,178,245</u>	<u>11,190,640</u>	<u>186,214</u>
1,522,761	1,522,761	90,149
1,368,560	1,368,560	438,899
42,550	42,550	7,800
952,329	1,137,928	126,619
147,385	147,385	26,716
387,638	387,638	76,323
3,220,207	3,220,207	2
	461,688	344,782
<u>3,212,314</u>	<u>3,301,814</u>	<u>340,614</u>
<u>10,853,744</u>	<u>11,590,531</u>	<u>1,451,904</u>
<u>324,501</u>	<u>(399,891)</u>	<u>1,638,118</u>
4,436,854	4,534,227	(1,075,297)
(4,436,854)	(4,534,227)	1,075,297
<u>42,650</u>	<u>41,306</u>	
<u>42,650</u>	<u>41,306</u>	
367,151	(358,585)	1,638,118
<u>8,772,632</u>	<u>8,772,632</u>	<u>594,295</u>
<u>\$ 9,139,783</u>	<u>\$ 8,414,047</u>	<u>\$2,232,413</u>



CITY OF SPIRIT LAKE  
NOTES TO SCHEDULE 4 - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2020

The budgetary comparison is presented as Other Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$736,787. That budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

CITY OF SPIRIT LAKE  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS \*  
(IN THOUSANDS)

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability .....	.018668%	.019783%	.019730%
City's proportionate share of the net pension liability .....	\$ 1,081	\$ 1,252	\$ 1,314
City's covered-employee payroll .....	\$ 2,160	\$ 2,128	\$ 2,049
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	50.05%	58.84%	64.13%
Plan fiduciary net position as a percentage of the total pension liability .....	85.45%	83.62%	82.21%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

## Schedule 5

<u>2017</u>	<u>2016</u>	<u>2015</u>
.019842%	.018390%	.018103%
\$ 1,249	\$ 909	\$ 718
\$ 1,990	\$ 1,944	\$ 1,942
62.76%	46.76%	36.97%
81.82%	85.19%	87.61%

CITY OF SPIRIT LAKE  
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
(IN THOUSANDS)

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution .....	\$ 204	\$ 209	\$ 196	\$ 189	\$ 183
Contributions in relation to the statutorily required contribution .....	<u>204</u>	<u>209</u>	<u>196</u>	<u>189</u>	<u>183</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll .....	\$ 2,127	\$ 2,160	\$ 2,128	\$ 2,049	\$ 1,990
Contributions as a percentage of covered-employee payroll .....	9.59%	9.68%	9.21%	9.22%	9.20%

# Schedule 6

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 181	\$ 180	\$ 173	\$ 162	\$ 142
<u>181</u>	<u>180</u>	<u>173</u>	<u>162</u>	<u>142</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,944	\$ 1,942	\$ 1,900	\$ 1,879	\$ 1,838
9.31%	9.27%	9.11%	8.62%	7.73%

CITY OF SPIRIT LAKE  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2020

**Changes of Benefit Terms**

There are no significant changes in benefit terms.

**Changes of Assumptions**

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and  
Members of the City Council  
City of Spirit Lake  
Spirit Lake, IA 51360

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Spirit Lake's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as Item I-A-20 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Spirit Lake's Responses to Findings**

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spirit Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Wintner, Starn & Co., LLP*

November 12, 2020  
Spencer, Iowa



CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiency:**

**I-A-20    Segregation of Duties**

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - We noted employees were performing incompatible functions.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation for duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the City review its control activities to obtain the maximum internal control possible under the circumstances, utilizing currently available staff, including elected officials, to maintain its diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No matters were noted.

CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-20 Certified Budget - Disbursements for the year ended June 30, 2020 did not exceed budgeted amounts.
- II-B-20 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-20 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-20 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-20 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-20 Revenue Bonds/Notes - No non-compliance with revenue note provisions were noted.
- II-I-20 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-J-20 Urban Renewal Report - The urban renewal annual report for the fiscal year ended June 30, 2019 was approved and certified to the Iowa Department of Management on or before December 1, 2019.

CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

II-K-20 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the City with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.